

Open Enrollment 2006 GIC HCSA and DCAP Pre-Tax Benefit Programs

Payroll Coordinator Seminar



Commonwealth of Massachusetts
Group Insurance Commission

Presented by:

Clifford Watkin, Sentinel Benefits



Agenda

- **Welcome & Introductions**
- **Payroll Coordinator Packets**
- **What's New in 2006**
- **Enrollment Procedures**
- **Role of Payroll Coordinator**
- **Questions/Wrap-up**

We Need Your Help!

OPEN ENROLLMENT FOR GIC PRE-TAX BENEFITS OCTOBER 11 – NOVEMBER 10, 2005 FOR CALENDAR YEAR 2006

- This program provides a great tax savings benefit for employees. **Please help us get the word out.**
- Display the poster (*in packet*) and encourage employees to attend one of the 10 mini-fairs.
- Send reminder emails to employees prior to the mini-fairs.
- Photocopy and distribute the employee letter (*in packet*).
- Forward GIC emails about open enrollment to your employees.

New This Year!

- The HCSA maximum increased to \$2,500 (the DCAP maximum remains \$5,000)
- On-line re-enrollment for existing participants
- Enhanced convenient SmartFlex Debit Card option
- IRS 2 ½ Month Grace Period & extended claim submission period
 - *Before IRS Ruling: All HCSA & DCAP eligible expenses MUST be incurred by December 31, 2005. All claims must be submitted by March 31, 2006.*
 - *After IRS Ruling: All HCSA & DCAP eligible expenses MUST be incurred by March 15, 2006 – these expenses will be applied to any unused HCSA or DCAP 2005 contributions. All claims must be submitted by April 15, 2006.*

Don't lose your 2005 contributions!

- Thanks to a new IRS ruling, 2005 pre-tax plan participants with an unspent balance at the end of 2005, do not have to forfeit their contributions.
- Under this new IRS rule, participants may incur eligible expenses through March 15, 2006 – a 2 ½ Month Grace Period.
- These eligible expenses will be reimbursed against the applicable unspent HCSA or DCAP contributions in the 2005 plan year.
- For instance, if the participant has \$100 left over in their HCSA at the end of 2005, the participant may still incur eligible expenses until March 15, 2006 that will be applied to their remaining 2005 HCSA balance of \$100.

HCSA and DCAP Pre-Tax Program Highlights

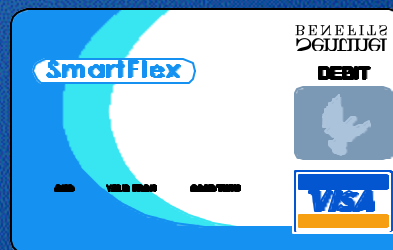
- **Allows you to pay eligible medical and dependent care expenses with pre-tax dollars reducing both your Federal and State taxes.**
- **Contributions are deducted directly from a participant's paycheck.**
- **Generally more advantageous than the itemized tax deduction and federal tax credit benefits available.**
- **For every \$1,000 contributed to these plans, employees save approximately \$250 in taxes.**
- **Low monthly administration fee.**

Filing Claims

- Participants may file for reimbursement at any point during the Plan Year.
 - Reimbursement Claim Forms (*in packet*) are available online at www.mass.gov/gic.
- After the close of the Plan Year (January 1 – December 31, 2005 and, the IRS 2 ½ Month Grace Period) participants may submit claims for 2005 up until April 15, 2006.
- Sentinel reimburses participants every Friday, using direct deposit and sends a balance statement to the participant's home.
- Participants who use their SmartFlex Debit Card instead of submitting claim forms will receive a quarterly account statement.

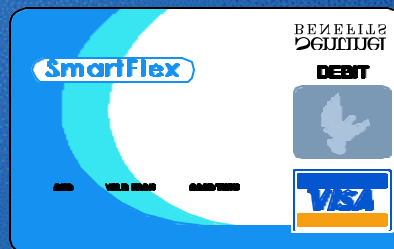
SmartFlex – The Smart Way to Pay

- Paying for health care and dependent care expenses is as easy as swiping a SmartFlex Debit Card.
- The SmartFlex card can be used at hospitals, doctors/dentists offices, pharmacies and child care centers.
- You may use your SmartFlex Debit Card for eligible expenses at your pharmacy - *including Over-The-Counter drugs* - while using another form of payment for non-eligible expenses.
- Over-the-counter (OTC) items can also be processed with the debit card using the Sentinel Benefits on-line pharmacy, Drugstore.com.



SmartFlex – The Smart Way to Pay

- The cost of the card is \$18.00 annually, deducted from the HCSA/DCAP account balance on a pre-tax basis.
- Additional cards for a spouse or dependent (over the age of 18) cost \$5.00 per dependent and will be deducted from the HCSA/DCAP account balance on a pre-tax basis.
- Employees should save their receipts as they may need to provide substantiation.
- Current participants who have a SmartFlex Card can renew it for the 2006 plan year online or by submitting a SmartFlex Debit Card Enrollment Form.
- The SmartFlex Debit Card Enrollment Form (*in packet*) is available online at www.mass.gov/gic.



On-line Re-Enrollment: For Current Participants ONLY

- 2005 participants can re-enroll on-line at www.sentinelenefits.com/flexchoice. Online re-enrollment instructions are included in your packet – *its as easy as 1-2-3!*
- Current participants can enroll in the debit card online for the first time or renew their card for the 2006 plan year.
- Obtaining a SmartFlex Debit Card for the first time for a spouse or dependent requires a SmartFlex Debit Card enrollment application (*in packet*).
- Payroll Coordinators will receive an agency-level report from Sentinel listing the participants and their HSCA/DCAP elections.
- You will need to enter the elections into HR/CMS or your payroll system.

HCSA/DCAP Enrollment: Role of Payroll Coordinator

- Participants must re-enroll each calendar year and the deductions must be entered into your payroll system.
- Review eligibility rules and enrollment procedures.
- Off-line agencies have slightly different administration rules and enrollment procedures.
- Payroll will run on January 10, 2006 and the first HCSA/DCAP/HCSAF deductions will be in the pay advice of January 13, 2006.
- Participants re-enrolling on-line; enrollment may be for an employee that has changed agencies.

HCSA/DCAP Enrollment: Payroll Coordinator Information

- The HCSA/DCAP Enrollment and Change Form (*in packet*) must be completed and signed by the employee and Payroll Coordinator, including the direct deposit section.
- Please collect all HCSA/DCAP enrollment forms and SmartFlex card applications by November 10, and send the original enrollment forms to Sentinel Benefits by November 28. Retain a copy in the employee's personnel file.
- Enter the HCSA and/or DCAP and HCSAF (fee) deductions into HR/CMS between December 25, 2005 and January 6, 2006 (see the HR/CMS Job Aid for detailed instructions).
- The HCSAF (fee) is a separate deduction and it must default to the deduction table – do not enter the fee amount. There is only one HCSAF (fee) deduction even if an employee is enrolled in both the HCSA and DCAP.

SmartFlex Debit Card: Role of Payroll Coordinator

- **Participants must re-enroll each calendar year for the SmartFlex Debit Card – either online or by submitting a paper form (*in packet*).**
- **There is no SmartFlex Debit Card payroll deductions to enter into your payroll system.**
- **Sentinel will deduct the annual fee (\$18.00) from the employee's HCSA and/or DCAP account. Additional card fees (\$5.00) will also be deducted from the employee's HCSA/DCAP election at initial application.**
- **Employees must send the original SmartFlex Debit Card Enrollment Form directly to you.**
- **Please attach the SmartFlex Debit Card Enrollment Form with the participant's HCSA/DCAP Enrollment Form and send to Sentinel Benefits.**

Important Payroll Coordinator Information

- The GIC website at www.mass.gov/gic has additional information online including: program brochures, SmartFlex Debit Card Q&A, the Pre-Tax Participant Handbook and all enrollment forms.
- A complete list of eligible HCSA/DCAP expenses is in the Participant Handbook on the GIC's website www.mass.gov/gic and in your packet.
- If a participant terminates or goes on a leave of absence, please complete a Participant Termination/Unpaid Leave of Absence Form and fax it to Sentinel Benefits at 781.213.7301. The form is available on the GIC website.
- Contact a client service representative with any questions at 888.762.6088, Monday – Friday, 8am to 8pm or email us at flexhelp@sentinelbenefits.com
- Mail or fax all enrollment forms to:
 - ✓ Sentinel Benefits, 601 Edgewater Drive, Suite 250, Wakefield, MA 01880. Fax: 781.213.7301.

Thank you for attending... don't forget...

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